

Message Text

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ORIGIN PA-02

INFO OCT-01 PRS-01 SS-15 SSO-00 CCO-00 ISO-00 /019 R

DRAFTED BY PA:BLINEBERRY:BL

APPROVED BY PA:CWBRAV

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DESIRED DISTRIBUTION

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E.O. 11652: N/A

TAGS: SOPN, OVIP (KISSINGER)

SUBJECT: PRESS MATERIAL

1. HERewith FULL TEXT SEYMOUR M. HERSH BY-LINER, NEW YORK TIMES, SATURDAY, SEPTEMBER 18, HEADED "GRUMMAN AND IRAN: WERE U.S. POLICIES INFLUENCED?"
2. AN ALLEGED WHITE HOUSE SHAKEDOWN PROVIDED THE HEADLINE EARLIER THIS WEEK, BUT THE REAL ISSUE BEFORE THE SENATE SUBCOMMITTEE INVESTIGATING ARMS SALES TO IRAN IS FAR MORE COMPLEX: HOW SALES PRESSURE FROM A MAJOR DEFENSE CONTRACTOR MAY HAVE DETERMINED A MAJOR FOREIGN-POLICY DECISION.
3. AT ISSUE WAS PRESIDENT NIXON'S MAY, 1972 DECISION TO PERMIT IRAN TO PURCHASE THE SOPHISTICATED F-14 AIRCRAFT FROM THE GRUMMAN CORPORATION. MR. NIXON, AFTER A MEETING IN TEHERAN WITH SHAH MOHAMMED RIZI PAHLEVI, ALSO EXEMPTED IRAN FROM THE GOVERNMENT'S NORMAL ARMS-SALES REVIEW PROCESSES, IN EFFECT PERMITTING IRAN TO BUY ANY WEAPONS SYSTEMS IT WANTED AND SETTING OFF WHAT A RECENT SENATE REPORT DESCRIBED AS "A BONANZA FOR U.S. WEAPONS MANUFACTURERS."

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4. DURING TWO DAYS OF RECENT PUBLIC HEARINGS, THE SENATE

FOREIGN RELATIONS SUBCOMMITTEE ON MULTINATIONAL

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CORPORATIONS DEVELOPED TESTIMONY SHOWING THAT GRUMMAN SALESMEN IN IRAN HAD BEEN ACTIVELY PROMOTING THE F-14 FOR TWO YEARS BEFORE THE 1972 NIXON DECISION. THE TESTIMONY SUGGESTED THAT GRUMMAN MIGHT HAVE BEEN RESPONSIBLE FOR CREATING A DESIRE ON THE PART OF THE SHAH AND HIS ADVISERS FOR THE AIRCRAFT.

5. IRAN QUICKLY EMERGED AS THE LARGEST SINGLE PURCHASER OF AMERICAN MILITARY GOODS, BUYING \$10.4 BILLION WORTH BETWEEN 1972 AND 1976, AND CREATING WHAT MANY FOREIGN POLICY CRITICS HAVE DESCRIBED AS AN ARMS RACE IN THE PERSIAN GULF.

6. FOR SENATOR FRANK CHURCH, DEMOCRAT OF IDAHO WHO IS CHAIRMAN OF THE MULTINATIONAL SUBCOMMITTEE, THE KEY ELEMENT BEHIND THE ARMS RACE WAS GRUMMAN'S DECISION TO BEGIN ITS F-14 SALES OPERATIONS IN IRAN BEFORE THE UNITED STATES GOVERNMENT HAD DECIDED IT WAS IN THE NATIONAL INTEREST FOR THE ADVANCED AIRCRAFT TO BE SOLD TO A FOREIGN ALLY.

7. "THIS COMPANY WENT TO GREAT LENGTHS TO INTEREST THE IRANIAN GOVERNMENT IN THIS AIRCRAFT," MR. CHURCH SAID IN AN INTERVIEW, "KNOWING THAT CLEARANCE FOR ITS SALE TO A FOREIGN GOVERNMENT HAD NOT BEEN AUTHORIZED."

8. "ONCE THE SHAH BECAME INTERESTED, GREAT PRESSURE THEN DEVELOPED ON THE ADMINISTRATION TO MAKE THE PLANE AVAILABLE TO SATISFY THE IRANIAN GOVERNMENT," THE SENATOR ADDED.

9. EIGHTEEN MONTHS AFTER THE F-14 SALE WAS AUTHORIZED, THE PRICE OF OIL HAD RISEN MORE THAN 400 PERCENT, AND IRAN--AND OTHER OIL-PRODUCING COUNTRIES--WERE USING THE INCREASED REVENUES TO PURCHASE MORE AMERICAN ARMS.

10. SENATOR CHURCH, WHOSE HEARINGS ON THE GRUMMAN SALE WILL RESUME ON SEPTEMBER 24, IS CONVINCED THAT THERE IS UNCLASSIFIED

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A SPECIFIC LINK BETWEEN THE AMERICAN ARMS SALES TO IRAN AND THE RISE IN OIL PRICES, A LINK THAT ALSO HAS A DIRECT BEARING ON THE THIRD-WORLD NATIONS.

11. "IN THIS CASE STUDY," HE SAID AT THE OPENING OF THE GRUMMAN HEARINGS, "WE CAN SEE THE EFFECTS OF TWO ELEMENTS WHICH HAVE DONE SO MUCH TO MAKE THE U.S. GOVERNMENT THE LEADING ARMS MERCHANT IN THE WORLD: FIRST, THE

PROMOTIONAL PUSH OF U.S. ARMS COMPANIES UNDETERRED BY EFFECTIVE U.S. GOVERNMENT SUPERVISION. SECOND, THE EMBRYONIC BEGINNINGS OF THE VICIOUS CIRCLE IN WHICH WE ARE CAUGHT: THE APPETITE FOR SOPHISTICATED WEAPONS FEEDS THE NEED FOR REVENUES TO PAY FOR THE ARMS; THIS LEADS TO MORE PRESSURE FOR OIL PRICE INCREASE, PARTICULARLY FOR A COUNTRY LIKE IRAN."

12. IN THE CHURCH VIEW, THE INDUSTRIALIZED COUNTRIES, NEEDING MORE FUNDS TO PAY FOR THE OIL, INFLATE THE COST OF THE WEAPONS SYSTEMS AND THE SUPPORT SYSTEMS SOLD FOR USE IN THE PERSIAN GULF. THAT INFLATION IN TURN LEADS TO PRESSURE FOR NEW OIL-PRICE INCREASES. A NEW INCREASE IS EXPECTED BY YEAR-END.

13. THESE PRICE RISES HAVE TREMENDOUS CONSEQUENCE FOR THE THIRD-WORLD NATIONS, WHICH HAVE BEEN FORCED TO INCREASE THEIR BORROWING--AT GROWING INTEREST RATES--FROM MULTINATIONAL BANKS AND REGIONAL DEVELOPMENT BANKS. THIS, IN TURN, HAS PRODUCED THIRD-WORLD DEMANDS FOR A DEBT MORATORIUM.

14. SENATOR CHURCH, WHOSE SUBCOMMITTEE HAS PREVIOUSLY INVESTIGATED CORPORATE BRIBES AND CORPORATE INVOLVEMENT IN CHILE, SAID IN THE INTERVIEW THAT THE GRUMMAN CASE "ILLUSTRATES THAT THE MATTER IS ENTIRELY OUT OF OUR (CONGRESS') HANDS, AND MAY BE BEYOND THE EFFECTIVE CONTROL OF THE GOVERNMENT. WE DEPEND HEAVILY ON THE SALE OF ARMS TO BUY THE OIL, EVEN THOUGH WE KNOW WE'RE SELLING A BIG WAR OUT THERE."

15. "THE TESTIMONY OF THE GRUMMAN OFFICIALS MADE IT UNCLASSIFIED

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PLAIN," HE SAID, "THAT ALL AMERICAN AIRCRAFT COMPANIES ARE ENGAGED IN THESE EFFORTS, TO LINE UP FOREIGN SALES AND TO LAY THE GROUNDWORK FOR THEM BEFORE ANY OFFICIAL DECISION IS MADE BY OUR OWN GOVERNMENT."

16. THE SUBCOMMITTEE HAS PUBLISHED DOCUMENTS INDICATING THAT THE INITIAL SALES CONTACT BETWEEN GRUMMAN AND IRANIAN OFFICIALS OVER THE F-14 TOOK PLACE IN 1970.

17. IN 1971, THE HEARINGS SHOWED, A GRUMMAN SALESMAN PERSUADED A MEMBER OF THE U.S. MILITARY ATTACHE STAFF IN MOSCOW TO GET CLEARANCE TO FLY TO GRUMMAN HEADQUARTERS IN BETHPAGE, L.I., FOR A FULL-SCALE BRIEFING ON THE F-14. THE AMERICAN OFFICER THEN RELAYED HIS FINDINGS TO AN IRANIAN OFFICIAL ALSO ASSIGNED AS AN ATTACHE IN MOSCOW.

EVENTUALLY, THE SUBCOMMITTEE REPORTED, A SENIOR IRANIAN MILITARY OFFICER FLEW TO MOSCOW AND WAS BRIEFED ON THE AIRCRAFT BY THE ATTACHE.

18. WHEN VICE PRESIDENT SPIRO AGNEW VISITED IRAN IN 1971 AS HEAD OF AN OFFICIAL PARTY CELEBRATING THE 2,500TH ANNIVERSARY OF THE IRANIAN EMPIRE, MEMBERS OF HIS STAFF SIMILARLY WERE URGED BY A GRUMMAN SALESMAN TO ENCOURAGE HIGH-LEVEL IRANIANS TO PURCHASE THE AIRCRAFT.

19. THE ULTIMATE GOAL OF THESE CONTACTS, THE TESTIMONY SHOWED, WAS TO PERSUADE THE SHAH THROUGH HIS ASSOCIATES THAT THE F-14 AIRCRAFT WAS NECESSARY TO IRAN'S SECURITY.

20. IN APRIL 1972, COLIN M. JUPP, THEN A SALESMAN FOR GRUMMAN'S INTERNATIONAL MARKETING DIVISION, VISITED THE WHITE HOUSE A MONTH BEFORE PRESIDENT NIXON'S TRIP TO IRAN AND SAW TWO NIXON AIDES, CHARLES W. COLSON AND H.R. HALDEMAN, IN AN EFFORT TO GET THE PRESIDENT'S SUPPORT FOR THE F-14 SALE.

21. THE PRESIDENT MET THE SHAH IN MAY AND, AS A RECENTLY RELEASED SENATE REPORT PUT IT, "AGREED FOR THE FIRST TIME TO SELL IRAN VIRTUALLY ANY CONVENTIONAL WEAPONS IT WANTED."

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22. DURING THE HEARINGS, SENATOR CHURCH ACCUSED A SENIOR GRUMMAN OFFICIAL OF GOING "TO GREAT LENGTHS" BEFORE THE 1972 NIXON VISIT TO INTEREST THE IRANIAN MILITARY AND THE SHAH IN THE F-14--KNOWING THAT ITS CLEARANCE FOR SALE TO A FOREIGN GOVERNMENT HAD NOT BEEN AUTHORIZED IN WASHINGTON.

23. JOSEPH G. GAVIN, JR., PRESIDENT OF GRUMMAN, CONCEDED THAT SALES EFFORTS WERE MADE, BUT DESCRIBED SUCH ACTIVITY AS "NOT ONLY FULLY LEGAL AND PROPER, BUT ACTUALLY ENCOURAGED" BY MILITARY REGULATIONS.

24. "WHETHER OR NOT IT SHOULD BE ENCOURAGED, AS A MATTER OF NATIONAL POLICY, IS, I BELIEVE, A REASONABLE CONCERN OF THE SUBCOMMITTEE," MR. GAVIN SAID. "IT'S IMPORTANT TO US THAT YOU UNDERSTAND THAT WE WERE PLAYING STRICTLY BY THE RULES AS THEY EXISTED."

25. "THE ISSUE IS NOT ONE OF LEGALITY," SENATOR CHURCH RESPONDED, "BUT WHETHER--IN THE SENSE OF NATIONAL SECURITY--SUCH EFFORTS SHOULD BE MADE PRIOR TO A NATIONAL

DECISION OF THE UNITED STATES GOVERNMENT THAT SUCH A SALE
WAS IN THE UNITED STATES' BEST INTERESTS." (END TEXT) ROBINSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, PRESS COMMENTS, MILITARY SALES, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 18 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE231659
Document Source: CORE
Document Unique ID: 00
Drafter: BLINEBERRY:BL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760353-0918
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760945/aaaabmee.tel
Line Count: 225
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN PA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: vandyklc
Review Comment: n/a
Review Content Flags:
Review Date: 06 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 FEB 2004 by MaustMC>; APPROVED <30 AUG 2004 by vandyklc>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESS MATERIAL
TAGS: SOPN, OVIP, MASS, PFOR, US, IR, NEW YORK TIMES, GRUMMAN CORP, (KISSINGER, HENRY A), (HERSH, SEYMOUR M)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006